

Message Text

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PAGE 01 LIMA 00746 282116Z

ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 H-02 AID-05 IGA-02 COME-00 /028 W

-----290922Z 095403 /22

R 281505Z JAN 77

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 3495

UNCLAS LIMA 0746

EO 11652: N/A

PLEASE PASS EB/IFD/ODF JOHN BLANEY

TAGS: EFIN, EAID, OREP

SUBJ: SENATOR GRAVEL'S PAPER ON TAXATION FOR DEVELOPMENT
ASSISTANCE

REF: A) STATE 4496; B) STATE 9837

1. IT APPEARS THAT THE TAX RATE TO FUND THE PROPOSAL WOULD
DEPEND UPON THE NUMBER OF DEVELOPING COUNTRIES WHO AGREE TO
PARTICIPATE AND THE WEIGHT OF EACH ACCORDING TO A PREDETERMINED
FORMULA (SEE PAGE 20). THIS SYSTEM IS NOT ENTIRELY CLEAR,
AT LEAST TO US. PERHAPS THE STATEMENT SHOULD BE MADE MORE
PRECISE.

2. WE BELIEVE THAT THE PROPOSAL MAY BE EXTREMELY DIFFICULT
TO IMPLEMENT FOR THE FOLLOWING REASONS: A) IT APPEARS THAT IF
A DEVELOPING COUNTRY DESIRES TO PARTICIPATE AND SIGNS AN
AGREEMENT WITH THE U.S. SPECIFYING NO LESS FAVORABLE TREATMENT
TO FOREIGN INVESTORS AND ACCEPTANCE OF GUIDELINES FOR INTER-
NATIONAL SETTLEMENT OF INVESTMENT DISPUTES BETWEEN FOREIGN
INVESTORS AND ITSELF, IT WILL EXPECT TO RECEIVE FUNDS IMMEDIA-
TELY AND LOOK TO THE U.S. TO ENSURE SUCH RECEIPT. ONCE THE
FUNDS ARE PASSED TO MULTILATERAL INSTITUTIONS THE U.S. LOSES
DIRECT CONTROL AND WILL NOT BE ABLE TO PROVIDE ANY ASSURANCES
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PAGE 02 LIMA 00746 282116Z

WITH RESPECT TO EITHER THE TIMING OF FUND UTILIZATION OR THE
PURPOSES AND PROGRAMS FOR WHICH THE FUNDS WILL BE ALLOTTED.

B) CONVERSELY, ONCE THE FUNDS ARE ALLOTTED TO MULTILATERAL
INSTITUTIONS AND AN LDC/US BILATERAL AGREEMENT HAS BEEN BROKEN,
HOW COULD THE U.S. ENFORCE SWIFT AND FAIR TREATMENT?

C) IT IS POSSIBLE THAT MANY LDC'S IN RETURN FOR A QUID PRO
QUO OF TYPE SPECIFIED ABOVE WOULD EXPECT THAT ALL U.S. INCOME

DERIVED FROM TAXES ON MULTINATIONALS LOCATED WITHIN THE BORDERS
OF A PARTICULAR LDC BE REINVESTED IN THAT LDC RATHER THAN BE
SUBJECTED TO AN ARBITRARY "WEIGHTING" FORMULA.

3. WE ARE NOT AS OPTIMISTIC AS PAPER (SEE PAGE 19) THAT A
COMPROMISE MIGHT BE POSSIBLE IN REGARD TO THE CALVO DOCTRINE.
A REALISTIC ASSESSMENT WOULD REQUIRE SOUNDING OUT LA GOVERNMENTS
IN REGARD TO CONCRETE PROPOSALS.
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Message Attributes

Automatic Decaptioning: X
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Copy: SINGLE
Sent Date: 28-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Format: TEL
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Handling Restrictions: n/a
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ISecure: 1
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